

## **GLOSSARY OF TERMS**

**ACCRUAL ACCOUNTING:** A basis of accounting in which revenues and expenses are recorded at the time they are earned or incurred, instead of when cash is actually received or disbursed. For example, in accrual accounting, a revenue earned between June 1 and June 30, but for which payment was not received until July 12, is recorded as earned on June 30, rather than on July 12.

**ADOPTED BUDGET:** Term used to describe revenues and expenditures for the upcoming year beginning July 1 as adopted by the City Council.

**APPROPRIATION (BUDGETING):** An authorization granted by the City Council to make budgeted expenditures and to incur obligations for purposes specified in the budget ordinances.

**ASSESSED VALUATION:** A value established for real property for use as a basis for levying property taxes.

**BALANCED BUDGET:** Occurs when planned expenditures equal anticipated revenues. In North Carolina, it is a requirement that the budget submitted to the City Council be balanced.

**BOND FUNDS:** Resources derived from issuance of bonds for specific purposes and related Federal project grants used to finance capital expenditures.

**BOND REFERENDUM:** An election in which registered voters vote on whether the City will be allowed to issue debt in the form of interest-bearing bonds.

**BUDGET:** A comprehensive financial plan of operation for a specified period of time that matches all planned revenues and expenditures with various municipal services.

**BUDGET CALENDAR:** The schedule of key dates or milestones which the City follows in the preparation and adoption of the budget.

**BUDGET DOCUMENT (PROGRAM AND FINANCIAL PLAN):** The official written statement prepared by the City staff reflecting the decisions made by the City Council in their deliberations.

**BUDGET MESSAGE:** A general discussion of the budget which provides the City Council and the public with a general summary of the most important aspects of the budget changes from previous fiscal years, City Council goals, and the views and recommendations of the City Manager.

**BUDGET ORDINANCE:** The schedule of revenues and expenditures for the upcoming fiscal year by fund which is adopted by the City Council each year.

**CAC:** Acronym for Community Appearance Commission.

**CAPITAL EQUIPMENT:** Vehicles, equipment, software, and furniture purchased by the City which individually amount to a value in excess of \$500 and an expected life of more than one year.

**CAPITAL IMPROVEMENTS:** Major construction, repair of or addition to buildings, parks, streets, bridges and other City facilities. Capital Improvements projects cost \$10,000 or more and have a useful life of more than three years.

**CAPITAL IMPROVEMENTS BUDGET:** The schedule of project expenditures for the acquisition and construction of capital assets for the current fiscal year.

**CAPITAL IMPROVEMENTS PROGRAM (CIP):** The annually updated plan or schedule of project expenditures for public facilities and infrastructure (buildings, roads, etc.), with estimated project costs, sources of funding, and timing of work over a five year period.

**CAPITAL OUTLAY:** A classification consisting of Capital Equipment and Capital Improvement.

**CAPITAL RESERVE FUND:** A special fund (also known as Equipment Replacement Fund) used as a clearing house for monies being transferred from General Fund and Water and Sewer Fund operations. Amounts based on the type, estimated life, and replacement cost of each piece of equipment are transferred from every department/division. From this fund, the City purchases equipment based on a replacement schedule and recommendations from Fleet Management, Information Technologies and Purchasing Divisions.

**CLG:** Acronym for Certified Local Government.

**COST CENTER:** The smallest unit of activity or area of responsibility for which costs are accumulated.

**DEPARTMENT:** A major administrative division of the City that indicates overall management responsibility for an operation or a group of related operations within a functional area. A department usually has more than one program and may have more than one fund.

**ENCUMBRANCE ACCOUNTING:** The system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

**ENTERPRISE FUND:** A grouping of activities whose expenditures are wholly or partially offset by revenues collected from consumers in the form of fees or charges.

**FIXED ASSETS:** Assets of a long-term character which are intended to be held or used, such as land, buildings, machinery, furniture, and other equipment.

**FISCAL YEAR:** The time period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year. Budgeting is carried out on a fiscal year schedule.

**FUNCTION:** A group of related programs crossing organization (departmental) boundaries and aimed at accomplishing a broad goal or major service.

**FUND BALANCE:** Amounts shown as fund balance represent monies which remain unspent after all budgeted expenditures have been made. North Carolina statutes dictate that a portion of fund balance is not available for appropriation in the following fiscal year.

**FUND:** A fund is a fiscal and accounting entity with a self-balancing set of accounts.

**GAAP:** Acronym for Generally Accepted Accounting Principles which are the conventions, rules, and procedures necessary to describe accepted practice at a particular time.

**GENERAL FUND:** The general operating fund of the city used to account for all financial resources except those required to be accounted for in another fund.

**GENERAL OBLIGATION (G.O.) BONDS:** Debt issued by the City, repayment of which is backed by full taxing power.

**GEOGRAPHIC INFORMATION SYSTEM (GIS):** A project which will link the City to a city-wide database, including hardware, software, and added personnel. This system is to be utilized as a planning tool by City departments.

**GFOA:** Acronym for Government Finance Officers Association.

**GOAL:** A statement of broad direction, purpose or intent based on the needs of the community.

**HPC:** Acronym for Historic Preservation Commission. One of the Boards and Commissions funded by the City. This Commission encourages designations of local historic districts within the City limits.

**INVESTMENT REVENUE:** Revenue earned on investments with a third party. The City uses a pooled cash system. We pool cash from all funds and invest it in total. The interest earned is then allocated back to the individual funds by the average cash balance in that fund.

**IRT:** Acronym for Involvement and Response Team. A system for empowering all employees into functional decision-making teams for operational improvements.

**ISO:** Acronym for Insurance Services Office. An agency which rates fire protection and suppression abilities/capabilities of fire departments.

**ISTEA:** Acronym for Intermodal Surface Transportation Efficiency Act.

**LEASE PURCHASE:** Method of financing used for the acquisition or improvements. Title to the property transfers to the City at the expiration of the lease terms.

**MODIFIED ACCRUAL:** The basis of accounting for the City. Under this system, expenditures are recognized when encumbered, and revenues are recognized when they are collected.

**MPO:** Acronym for Master Police Officer.

**NCDOT:** Acronym for North Carolina Department of Transportation.

**OBJECTIVE:** A statement of specific direction, purpose or intent to be accomplished by staff within a program.

**OPERATING BUDGET:** The City's financial plan which outlines proposed expenditures for the coming fiscal year and estimates the revenues which will be used to finance them.

**OPERATING FUNDS:** Resources derived from recurring revenue sources used to finance ongoing operating expenditures and pay-as-you-go capital projects.

**PRODUCTIVITY:** A measure of the increase of service output of City programs compared to the per unit of resource input invested.

**PROGRAM:** An organized set of related work activities, which are directed toward accomplishing a common goal. Each City department is usually responsible for a number of related service programs.

**PROPERTY TAX RATE:** The rate at which real and personal property in the City is taxed in order to produce revenues sufficient to conduct necessary governmental activities.

**PROPERTY TAXES (AD VALOREM TAXES):** Taxes paid by those owning property in the City. These taxes are based on assessed value.

**RESERVE:** A portion of fund balance earmarked to indicate 1) that it is not available for expenditure, or 2) is legally segregated for a specific future use.

**RESOURCES:** Assets that can be used to fund expenditures. These can be such things as Property Taxes, Charges for Service, Beginning Fund Balance or Working Capital.

**RETAINED EARNINGS:** Amounts representing monies which remain unspent after payment of all expenses.

**REVENUE:** Income received from various sources used to finance government services; for example, sales tax revenue.

**REVENUE BONDS:** Bonds payable from a specific source of revenue and which do not pledge the full faith and credit of the issuer.

**SERVICE LEVEL:** Measurement of services provided by the City to the public.

**WWTP:** Acronym for Wastewater Treatment Plant

